

SUPPLY CHAIN MURDO MORRISON LONDON

# GKN chief stays transparent on goals

Aerostructures manufacturer outlines ambitious investment strategy to exploit window of opportunity in Asian market

A little over a year after its controversial takeover by Melrose Industries, the GKN Aerospace that Hans Buthker heads is very different to the business he joined when GKN acquired his former company, Fokker Technologies, in 2015.

Buthker no longer answers to the board of a public limited company with its head office in the English Midlands. Instead, he reports directly to the owners of the London-based investment firm – alongside his counterpart from GKN's car parts division – and insists they have given him a free hand to steer his own strategy.

That includes the recent decision to close an aircraft windows plant in the UK – judged not to have a “long-term, sustainable future” – as part of a plan to “rebalance” GKN's industrial presence towards Asia, and “follow our customers around the globe”.

Linked to that, Buthker and his team plan to spend an “even higher” amount this year on technology investments than 2018's £75 million (\$97 million), increase penetration of the defence market – which made up just under 30% of its £3.53 billion revenues last year – and grow the special technologies business, which makes aircraft transparencies, among other products.

## CHINA FOCUS

The company is “investing heavily” in Asia, says Buthker, with new facilities in China, India and Malaysia.

At Air Show China in Zhuhai in November 2018, GKN firming an agreement with Chinese firms AVIC and Comac to establish a joint venture for metal and composite aerostructures manufacturing. Production is set to begin by the final quarter of 2021.

In addition, GKN has opened a facility in Pune, India for its Netherlands-based wiring business, as well as an engine-component maintenance shop and research



Firm is eyeing increased military sector penetration, where the F-35 canopy is its best-known product

facility in the southern Malaysian state of Johor, specialising in powerplant fan blades and discs.

The investment in Asia is driven less by a desire for lower-cost production than by GKN's major commercial customers, says Buthker.

**“We have several defence customers interested in the technologies we have today”**

Hans Buthker  
Chief executive, GKN Aerospace

Setting up factories in those countries may not be an offset in the way military deals are traditionally concluded, but as Airbus and Boeing push to sell more airliners in these developing markets – particularly China, where central government heavily influences purchasing decisions – it helps if as much of the supply chain as possible is based locally. A domestic footprint supports GKN in its efforts to secure lucrative aftersales revenues as well.

GKN also intends to establish a presence in China for its transparencies business, seeking original

equipment deals on indigenous programmes, as well as aftermarket deals with Chinese carriers. Airbus and Boeing typically approve two or three window suppliers for cabins and cockpits, with the airline able to strike deals with those suppliers for aftermarket replacement.

“Access to the Chinese market is essential,” says Gavin Wesson, GKN's head of special products, who wants to grow the company's share of the cockpit window market from 22% to over 50% in the next three years.

## GROWTH POTENTIAL

Wesson's business, responsible for rotorcraft fuel tanks, flotation devices and ice protection systems as well as transparencies, makes up just 5% of GKN Aerospace's revenues. However, Buthker believes there is potential to grow this, including in defence, where GKN's best-known product is the canopy for the Lockheed Martin F-35. It also supplies transparencies for the Eurofighter Typhoon and Saab Gripen.

The F-35 ramp-up is pushing up defence's share of GKN's revenues, and Buthker thinks this can grow further. “We are working on some undisclosed platforms in the USA. We have several defence customers interested in the tech-

nologies we have today,” he says.

Technology is “the key driver” to GKN's ongoing success, says Buthker, and despite the closure of the Birmingham window factory in 2021, the company is investing heavily in UK-based research and development. In 2020, GKN will open a global technology centre in Bristol. A main focus will be Airbus's Wing of Tomorrow programme, as part of which the airframer is working with suppliers on designs and materials for a possible new wing on an A320neo replacement. The centre will also work on additive manufacturing, says Russ Dunn, chief technology officer and head of strategy.

Aerostructures – which includes the original GKN business in Bristol and much of the Fokker activities in the Netherlands – makes up 63% of revenues, with engine systems responsible for another 32%. The latter is chiefly the former Volvo Aero, acquired in 2012. The Volvo and Fokker additions helped vault GKN into the top ranking of aerospace suppliers, as Buthker puts it the “number two” in both aerostructures and engine systems, behind Spirit AeroSystems and MTU, respectively, and the only tier one player with a foothold in both segments. 